

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

3306
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August 26, 2009

TO: Internal File

THRU: Steve Christensen, Team Lead SKC
James D. Smith, Permit Supervisor JS 09/29/09 PHH/MS

FROM: Peter Hess, En Sci III / Engineering / Bonding

RE: Midterm Permit Review, Canyon Fuel Company, LLC, Soldier Canyon Mine, C/007/0018, Task ID # 3306

REVISED August 26, 2009

SUMMARY:

The Division initiated a midterm permit review of the Soldier Canyon Mine mining and reclamation plan on June 4, 2009 by notifying the Permittee of seven topics which were to be evaluated by the process. The topics to be evaluated within this memo include;

#5. (From the DOGM letter dated 6/4/09)

A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate current year dollars.

#6. A review of the mining and reclamation plan for compliance with operator commitments related to variances or Special Permit Conditions (including but not limited to subsidence control / monitoring plans and reporting requirements, variances to AOC...etc.)

The Soldier Canyon Mine was placed into temporary cessation status on March 25, 1999. The amount of reclamation bond required for this site was updated during the last midterm review (Task ID # 2126) to \$ 1,593,000.00 (October 2004) to 2009 dollars.

As far as is known, no changes have been made to the Soldier Canyon Mine surface facilities. Temporary seals were installed in the Mine openings in 1999.

The bond will be updated to 2014 dollars during this midterm permit review.

During the first review, an error was made in the selection of the subtotal sheets for the demolition, earthwork, and revegetation costs. The error was significant, amounting to a difference in the total cost for the reclamation of the site of over \$192,000.00.

This memo is being submitted to correct the bond calculation to 2014 dollars.

TECHNICAL ANALYSIS

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

The amount of disturbance associated with the Soldier Canyon Mine is 24.32 acres. There has not been any additional construction of facilities at this Mine, nor have any reclamation activities occurred. Therefore, the reclamation costs estimates for demolition, earthwork, and revegetation remain unchanged.

Form of Bond

The type of bond currently in place is a SURETY, issued by St. Paul Fire & Marine Insurance Company. This surety has an A. M. Best rating of A+, as of June 30, 2009.

Determination of Bond Amount

The amount of bond currently in place to ensure reclamation of the Soldier Canyon Mine is \$ 1,593,000.00 in 2009 dollars.

The direct cost to reclaim the Soldier Canyon Mine is \$ 1,105,520.00. The Indirect costs are 26.8 % of that amount or \$ 296,279.00; the Total Reclamation Cost is \$ 1,401,799.00.

The escalation of this amount to 2014 dollars, using an escalation factor of 0.013 over a five year period amounts to an escalation of \$ 93,500.00.

The Total Escalated Reclamation Cost rounded to the nearest \$ 1,000 is \$ 1,495,000.00.

The Permittee has a reclamation bond in place of \$ 1,593,000.00.

The posted reclamation bond exceeds the required escalated reclamation cost by \$ 98,000.00. This is an excess of 6.15 %.

The Permittee does not need to post any additional bond during this mid-term review.

Terms and Conditions for Liability Insurance

The Division inspects this Canyon Fuel Company operation four times annually, during each quarterly complete inspection. The general liability

Findings:

The existing bond is adequate to reclaim the Soldier canyon Mine until the next midterm permit review (2014).

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